

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

JUDITH BURBRINK,
Plaintiff,

vs.

PHYLLIS J. CAMPBELL; MICHELLE M. EBANKS; ENRIQUE HERNANDEZ, JR.; JEANNE P. JACKSON; ROBERT G. MILLER; BLAKE W. NORDSTROM; ERIK B. NORDSTROM; PETER E. NORDSTROM; PHILIP G. SATRE; BRAD SMITH; FELICIA D. THORNTON; B. KEVIN TURNER; ROBERT D. WALTER; ALISON A. WINTER; HANGAR THREE LLC; JWB AIRCRAFT LEASING COMPANY, INC.; JD PLANE, LLC; JW LTD; M&B BEAVER LLC; SDJ, LLC; TB PLANE, LLC; 247N, LLC; and JOHN DOES 1 THROUGH 10,

Defendants

NORDSTROM, INC.,

Nominal Defendant

No.

**VERIFIED SHAREHOLDER
DERIVATIVE COMPLAINT**

**REDACTED VERSION, PURSUANT
TO LOCAL RULE 5(g)(3)**

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200 Second Avenue West
Seattle, WA 98119
(206) 448-1777

HUNG G. TA, ESQ. PLLC
250 Park Avenue, 7th Floor
New York, New York 10177
(646) 453-7288

MORGAN & MORGAN P.C.
28 West 44th Street
New York, New York 10036
(212) 564-1637

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STRITMATTER KESSLER WHELAN
200 Second Avenue West
Seattle, WA 98119
(206) 448-1777

HUNG G. TA, ESQ. PLLC
250 Park Avenue, 7th Floor
New York, New York 10177
(646) 453-7288

MORGAN & MORGAN P.C.
28 West 44th Street
New York, New York 10036
(212) 564-1637

1 **I. INTRODUCTION**

2 1. Plaintiff Judith Burbrink, by her undersigned attorneys, brings this action to
 3 assert claims derivatively on behalf of Nominal Defendant Nordstrom, Inc. (“Nordstrom” or the
 4 “Company”) and Nordstrom’s shareholders. Plaintiff bases her allegations on knowledge as to
 5 herself and her own acts, and upon information and belief as to all other matters based on the
 6 investigation of her attorneys, which included but was not limited to a review of documents
 7 produced by Nordstrom in response to Plaintiff’s demand to inspect the Company’s records
 8 under RCW 23B.16.020 (the “Production”), U.S. Securities and Exchange Commission
 9 (“SEC”) filings, news reports, press releases and other publicly available information regarding
 10 the Company.

11 2. For many years, unbeknownst to its shareholders, Nordstrom has maintained and
 12 operated a vast and costly aviation department (the “Flight Department”), the activities of which
 13 are far removed from Nordstrom’s core business as a fashion retailer. Since approximately
 14 2007, at the onset of the global financial crisis, Nordstrom’s Flight Department has assumed
 15 virtually full responsibility for housing, flying, servicing, and repairing not only the Company’s
 16 planes, but also the large fleet of *personal planes* owned by the *members of the extended*
 17 *Nordstrom family*. The timing of the Nordstrom family’s decision to offload these
 18 responsibilities on to the Company as the global financial crisis unfolded is not entirely
 19 coincidental. During the crisis, the Company’s stock price plummeted from approximately \$55
 20 to as low as \$6.61, inflicting steep losses on the Nordstrom family, who were and still are the
 21 controlling shareholders in the Company.

22 3. As a result, the Company now provides extensive services to the Nordstrom
 23 family, at a cost to Nordstrom’s shareholders of millions of dollars. Although the Company
 24 itself owns only two planes, the Flight Department employs [REDACTED] different pilots to fly both
 25 the Company planes and the Nordstrom family planes. These pilots spend a large proportion of
 26

1 their employed time flying the members of the Nordstrom family on their personal planes to
2 numerous vacation destinations around the United States and outside the country.

3 4. In addition, the Company employs a large team of maintenance staff to service
4 and repair the Nordstrom family's aircraft. The Company also employs office and
5 administrative staff to manage the Nordstrom family's personal planes; to schedule flights for
6 the Nordstrom family; and to keep detailed records of, and to account for, who flew on the
7 planes, the duration of the flights, and other important details for purposes of tax reporting and
8 securities filings.

9 5. Finally, Nordstrom leases vastly more hangar space than it needs at the King
10 County International Airport, then subleases the excess space to members of the Nordstrom
11 family to house their fleet of personal planes.

12 6. Year after year, Nordstrom's board of directors ("Board") has disclosed in the
13 Company's proxy statements filed with the SEC that the Company charges the Nordstrom
14 family market prices for these numerous related party services. In addition, the Board has
15 repeatedly asserted in the proxy statements that the payments received from the Nordstrom
16 family exceed the estimated costs to the Company of providing these services.

17 7. However, a review of the Company's books and records by Plaintiff and her
18 counsel reveals that the Board *has never conducted any analysis of the costs of providing the*
19 *services to the Nordstrom family*. Contrary to their materially false and misleading statements,
20 the Board has, year after year, violated their fiduciary duties by blessing the related party
21 transactions with the Nordstrom family without inquiring what the costs to the Company are,
22 and whether the charges to the Nordstrom family equitably reflect their share of use of the
23 Flight Department's resources. The Board has also utterly failed to inquire whether the
24 payments from the Nordstrom family adequately compensate the Company for undertaking an
25 aviation-services enterprise that is far removed from the Company's core business and that
26 exposes the Company to risk of liability. Moreover, at the time that the Board rubber-stamped

1 the related party transactions with the Nordstrom family, members of the Board were conflicted
2 because they materially benefited from the related party transactions, and therefore should have
3 been precluded from approving the related party transactions.

4 8. As the Company's books and records reveal, had the Board performed a cost
5 analysis, the Board would have discovered that the Nordstrom family is actually charged only a
6 fraction of the true cost of the services provided to them. Specifically, Nordstrom's internal
7 records indicate that the Flight Department's pilots and ground maintenance staff spend
8 between [REDACTED] of their time attending to the needs of the Nordstrom family and their
9 personal planes. However, the Nordstrom family has consistently paid [REDACTED] of the
10 costs of the Flight Department.

11 9. Furthermore, the true percentage of the Flight Department's costs that is paid by
12 the Nordstrom family is undoubtedly even less, because Plaintiff and her counsel were
13 prevented by Nordstrom from ascertaining all the costs. In responding to Plaintiff's books and
14 records demand, Nordstrom refused to produce records that would show many additional costs
15 such as the cost of aviation liability insurance to insure the Company against the risks of
16 operating an aviation services-for-hire business, or building depreciation and other fixed costs
17 associated with conducting the operations of its Flight Department. Nordstrom also refused to
18 provide documents reflecting the many "soft" costs borne by shareholders, such as the costs of
19 professional services to: keep track and account for the numerous transactions with the
20 Nordstrom family; ensure that taxes are correctly paid by the Nordstrom family; and ensure that
21 the nature and amount of the related party transactions are reported every year in the proxy
22 statements. Once all of these costs are taken into account, the Nordstrom family actually pays
23 just a small fraction of the real costs of the Flight Department.

24 10. All of this explains why the Nordstrom family would persist in obtaining
25 aviation-related services from the Company, despite the SEC disclosure obligations triggered by
26 such related party transactions with the Company, and the disclosure of the Nordstrom family's

private affairs. If the Nordstrom family did in fact pay the Company “market” rates for all the services provided, the Nordstrom family rationally would have gone elsewhere to obtain these same “market” rate services from other parties.

11. As set forth in greater detail below, the Nordstrom family, with the connivance of the Nordstrom Board, has contrived to maintain a vast, bloated and costly Flight Department to serve the needs of the Nordstrom family, but subsidized by shareholders. On behalf of Nordstrom and its shareholders, Plaintiff asserts claims for breaches of fiduciary duty, corporate waste, unjust enrichment, and violations of the federal securities laws.

II. PARTIES

12. Plaintiff Judith Burbrink is a United States citizen, residing in King County, Washington. Ms. Burbrink owns 500 shares of the Class A stock of Nordstrom and has continuously owned Nordstrom Class A common stock since September 5, 1974.

13. Nominal Defendant Nordstrom is a Washington corporation with its headquarters in Seattle, Washington. According to its website, Nordstrom is “a leading fashion specialty retailer offering compelling clothing, shoes and accessories for men, women and children.” Nordstrom is listed on the New York Stock Exchange and trades under the ticker “JWN.”

A. The Director Defendants And Governance Committee Defendants

14. Defendant Phyllis J. Campbell (“Campbell”) has been a director of the Company since 2004.

15. Defendant Michelle M. Ebanks (“Ebanks”) has been a director of the Company since 2011.

16. Defendant Enrique Hernandez, Jr. (“Hernandez”) has been a director of the Company since 1997. Defendant Hernandez has been a member of the Corporate Governance and Nominating Committee (“Governance Committee”) since at least 2004, and was its Chair from approximately 2007 to 2009.

1 17. Defendant Jeanne P. Jackson (“Jackson”) was a director of the Company from
2 2002 to January 2009.

3 18. Defendant Robert G. Miller (“Miller”) has been a director of the Company since
4 2005.

5 19. Defendant Blake W. Nordstrom (“Blake Nordstrom”) has been a director of the
6 Company since 2005. Blake Nordstrom is also the President of Nordstrom. He is the son of
7 Bruce Nordstrom and the brother of Defendants Erik Nordstrom and Peter Nordstrom. Blake
8 Nordstrom co-owns with Defendant Chris Hughes an entity called 247N, LLC. 247N, LLC is
9 the registered owner of an aircraft, bearing the tail number N247N, which receives services
10 from the Nordstrom Flight Department. Blake Nordstrom also co-owns with his wife an entity
11 called M&B Beaver, LLC, the registered owner of a plane bearing the tail number N249N,
12 which also receives services from the Flight Department.

13 20. Defendant Erik B. Nordstrom (“Erik Nordstrom”) has been a director of the
14 Company since 2006. Erik Nordstrom is an Executive Vice President and the President of
15 Nordstrom Direct. He is the son of Bruce Nordstrom and the brother of Blake Nordstrom and
16 Peter Nordstrom.

17 21. Defendant Peter E. Nordstrom (“Peter Nordstrom”) has been a director of the
18 Company since 2006. Peter Nordstrom is an Executive Vice President and the President of
19 Merchandising. He is the son of Bruce Nordstrom and the brother of Blake Nordstrom and Erik
20 Nordstrom.

21 22. Defendant Philip G. Satre (“Satre”) has been a director of the Company since
22 2006. Defendant Satre has been a member of the Governance Committee since approximately
23 2007, and has been its Chair since approximately 2010.

24 23. Defendant Brad Smith (“Smith”) has been a director of the Company since 2013.

25 24. Defendant Felicia D. Thornton (“Thornton”) was a director of the Company from
26 2010 to 2012.

25. Defendant B. Kevin Turner (“Turner”) has been a director of the Company since 2010.

26. Defendant Robert D. Walter (“Walter”) has been a director of the Company since 2008. Defendant Walter has been a member of the Governance Committee since approximately 2011.

27. Defendant Alison A. Winter (“Winter”) has been a director of the Company since 2001. Defendant Winter has been a member of the Governance Committee since approximately 2006.

28. Defendants Campbell, Ebanks, Hernandez, Jackson, Miller, Blake Nordstrom, Erik Nordstrom, Peter Nordstrom, Satre, Smith, Thornton, Turner, Walter and Winter are hereinafter collectively referred to as the “Director Defendants.”

29. Defendants Hernandez, Satre, Walter and Winter are also hereinafter collectively referred to as the “Governance Committee Defendants.”

B. The Related Party Defendants

30. Defendant Hangar Three LLC (“Hangar Three”) is a company owned by Blake Nordstrom, James F. Nordstrom, Jr. and John N. Nordstrom. On June 6, 2006, Hangar Three entered into a sublease with the Company for a portion of a parcel of land leased by the Company from King County, Washington, at the King County International Airport.

31. Defendant JBW Aircraft Leasing Company, Inc. (“JBW”) is the registered owner of two planes, bearing the tail numbers N225N and N229N. Both these two planes receive extensive aviation-related services from the Company. According to the Company’s proxy statements, during the fiscal year beginning February 3, 2013, the owners of JBW were John N. Nordstrom, Bruce A. Nordstrom and D. Wayne Gittinger (since deceased), a former director and spouse of Anne. E. Gittinger, who is the sister of Bruce Nordstrom.

32. Defendant JD Plane, LLC (“JD Plane”) is co-owned by James F. Nordstrom Jr. and Daniel Nordstrom, and is the registered owner of a plane bearing the tail number N226N, which receives services from the Nordstrom Flight Department.

33. Defendant JW Ltd (“JWL”) is owned by John N. Nordstrom, and is the registered owner of the planes bearing tail numbers N233N and N456N, both of which have received services from the Nordstrom Flight Department.

34. Defendant M&B Beaver, LLC (“M&B Beaver”) is co-owned by Blake Nordstrom and his wife Molly Nordstrom, and is the registered owner of a plane bearing tail number N249N, which receives services from the Nordstrom Flight Department.

35. Defendant Blake Nordstrom is also sued in his capacity as the recipient of related party services from the Company. According to the Company’s 2008 proxy statement, Blake Nordstrom received services from the Nordstrom Flight Department in the fiscal year ended February 2, 2008.

36. Defendant SDJ, LLC (“SDJ”) is owned by James F. Nordstrom Jr. and is the registered owner of a plane bearing tail number 7273Z, which has received services from the Nordstrom Flight Department.

37. Defendant TB Plane, LLC (“TB Plane”) is owned by Sally A. Nordstrom and is the registered owner of a plane bearing tail number N227N, which has received services from the Nordstrom Flight Department.

38. Defendant 247N, LLC (“247N”) is co-owned by Chris Hughes and Blake Nordstrom and is the registered owner of a plane bearing tail number N247N, which has received services from the Nordstrom Flight Department.

39. Defendants Hangar Three, JBW, JD Plane, JWL, M&B Beaver, Blake Nordstrom, SDJ, TB Plane and 247N are hereinafter collectively referred to as the “Related Party Defendants.”

C. The John Doe Defendants

40. Defendants John Doe 1 through 10 are additional parties who, upon information and belief, received services provided by Nordstrom's Flight Department.

41. Defendants John Doe 1 through 10 are hereinafter collectively referred to as the "John Doe Defendants."

III. JURISDICTION AND VENUE

42. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. § 1331, and Section 27 of the Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. § 78aa, because the claims in this action arise under, among other laws, Section 14(a) of the Exchange Act, 15 U.S.C. § 78n(a), and Rule 14a-9 promulgated thereunder, 17 C.F.R. § 240.14a-9.

43. Venue is proper in this District pursuant to Section 27 of the Exchange Act, 15 U.S.C. § 78aa, and 28 U.S.C. §§ 1391(b), (c) and (d). Many of the acts and transactions that constitute violations of law complained of herein, including the preparation and dissemination to the public of materially false and misleading information, occurred in this District.

IV. THE DIRECTOR DEFENDANTS' FIDUCIARY DUTIES

44. As directors and officers of Nordstrom, a Washington corporation, the Director Defendants owe Nordstrom and its shareholders the highest fiduciary duties of loyalty, good faith and care in the management and administration of the affairs of the Company, as well as in the use and preservation of its property and assets.

45. Under the duty of loyalty, directors are required, when conducting the affairs of the corporation, to act solely in furtherance of the best interests of the corporation and its shareholders and to act in good faith. Directors are prohibited from engaging in self-dealing. When directors consciously disregard their responsibilities or engage in willful misconduct or recklessness, the directors breach their duty of loyalty to the Company.

46. The duties owed by Nordstrom's directors and officers are also set forth in the Company's Employee Code of Business Conduct and Ethics (the "Employee Code of Conduct") and Director Code of Business Conduct and Ethics (the "Director Code of Conduct"), both of which are dated November 19, 2014.

47. The Employee Code of Conduct, which applies to Nordstrom's officers, requires every employee to "ensure that you do not use Nordstrom's property, funds, personnel, time, facilities or equipment for your own personal use or gain." The Employee Code of Conduct states that Nordstrom "values fair and honest dealings with our customers, coworkers, competitors and other business partners [and] expect[s] employees to uphold these values by avoiding conflicts of interest." The Employee Code of Conduct also states that employees are "expecte[ed] to use good judgment When we talk about good judgment, it's really about how we treat our customers, how we treat each other and how we do business."

48. The Director Code of Conduct provides that "Directors shall perform their duties in a manner that protects Nordstrom's assets and ensures that Nordstrom's assets are used only for legitimate business purposes. Directors shall not use Nordstrom's assets for their personal benefit or gain." Further, "Directors must observe the highest ethical standards and act with fairness, integrity and honesty to promote an environment that encourages Nordstrom's officers and employees to sustain and enhance Nordstrom's reputation and treat each other, as well as customers, suppliers, and competitors, with fairness and respect."

49. Nordstrom's directors who serve as members of committees of the Board have additional responsibilities and duties. According to its Charter, the purpose of the Governance Committee is "to take a leadership role in shaping the Company's corporate governance and to recommend individuals to the Board for nomination as members of the Board and its committees." Among its principal duties and responsibilities, the Governance Committee has an obligation to "[r]eview possible conflicts of interest between the Company and any *related person* within the meaning of Item 404 of Securities and Exchange Commission Regulation S-K,

1 and review and approve any transaction between the Company and any such related person that
 2 would be required to be disclosed in the Company's annual proxy statement." (emphasis in
 3 original).

4 50. The Company's proxy statement, filed March 27, 2014 (the "2014 Proxy")
 5 further explains the Governance Committee's responsibilities. When reviewing a transaction,
 6 the Governance Committee examines "*all relevant factors* including the Company's rationale
 7 for entering into a related party transaction, alternatives to the transaction, whether the
 8 transaction is on terms at least as fair to the Company as would be the case if the transaction
 9 were entered with a third party, and the potential of an actual or apparent conflict of interest."
 10 (emphasis added). Furthermore, starting in 2009, the Governance Committee could approve a
 11 related party transaction only if it determined "*that the transaction [would] result in a net*
 12 *benefit to the Company and our shareholders.*" (emphasis added). Since 2013, the
 13 Governance Committee is permitted to approve a transaction "if the [Governance] Committee
 14 determines that the transaction is reasonable and fair to the Company."

15 51. Additionally, between 2007 to 2012, according to the Company's proxy
 16 statements, "[n]o member of the [Governance] Committee participates in any approval of a
 17 Related Party transaction in which the member has a material interest, other than to provide all
 18 pertinent information regarding the transaction to the Committee."

19 52. As set forth below, based on the above obligations, the Director Defendants and
 20 the Governance Committee Defendants breached their fiduciary duties to Nordstrom and its
 21 shareholders.

22 **V. SUBSTANTIVE ALLEGATIONS**

23 **A. The Nordstrom Family Controls The Company**

24 53. Nordstrom was founded in 1901 as a shoe retailer. In 1971, Nordstrom went
 25 public and is now listed on the New York Stock Exchange, trading under the ticker "JWN."
 26

54. Despite being a public company, Nordstrom is still controlled at many levels by the Nordstrom family. According to the Company's most recent proxy statement, members of the Nordstrom family own at least 27% of the Company. Bruce A. Nordstrom beneficially owns 13.84% of the Company; his sister Anne. E. Gittinger owns 8.16%; and his sons Blake Nordstrom, Erik Nordstrom and Peter Nordstrom collectively own another 4.82% of the Company.

55. The members of the extended Nordstrom family also dominate Nordstrom's Board, with the brothers Blake, Erik and Peter Nordstrom occupying three seats. Moreover, the Nordstrom family continues to run the Company. In addition to their roles as directors, Blake Nordstrom is the President of Nordstrom. Peter Nordstrom is an Executive Vice President and the President of Merchandising. Erik Nordstrom is an Executive Vice President and the President of Nordstrom Direct. James F. Nordstrom, Jr., the second cousin of Blake, Erik and Peter Nordstrom, is an Executive Vice President and the President of Stores.

B. The Nordstrom Family's Past Related Party Transactions With The Company

56. Since approximately 1998, Nordstrom and members of the Nordstrom family have engaged in related party transactions involving corporate aircraft. According to its proxy statement, during the fiscal year ended January 31, 1998, Nordstrom leased an aircraft from JBW. At the same time, JBW made payments to Nordstrom in the amount of \$58,200 for "services rendered." The proxy statement did not specify what these services were.

57. For the next nine years, the amount of services provided by Company to the Nordstrom family steadily increased. Then, in 2007, the volume of corporate aircraft related party transactions between the Company and the Nordstrom family increased dramatically, as a direct result of the financial crisis.

58. In March 2007, Nordstrom's stock price peaked at around \$55 per share. Between March 2007 and November 2008, as the global financial crisis unfolded, Nordstrom's

1 stock price plummeted to as low as \$6.61, inflicting steep losses on the Nordstrom family. Not
 2 coincidentally, it was around this time that the Nordstrom family began to shift the costs of
 3 flying and maintaining their vast fleet of personal planes on to the Company.

4 59. On April 10, 2008, Nordstrom filed its proxy statement for the fiscal year
 5 commencing February 4, 2007 and ending February 2, 2008 (the “2008 Proxy”). The 2008
 6 Proxy revealed a large expansion in the amount of aviation-related services provided by the
 7 Company to the Nordstrom family in just 12 months. The Company disclosed that four
 8 Nordstrom family related parties, including JBW and Blake Nordstrom, now paid the Company
 9 a total of \$378,520 for “maintenance services, pilot services, management fees and hangar rent
 10 related to the operation and maintenance of those parties’ personal aircraft.” In addition, the
 11 Company disclosed that the same four related parties now paid Nordstrom \$786,046 for the
 12 “costs of fuel, parts and other miscellaneous expenses related to the operation and maintenance
 13 of those parties’ personal aircraft.”

14 60. Almost overnight, Nordstrom, a fashion retailer, officially entered into the
 15 business of providing aviation-related services to the members of the Nordstrom family.

16 **C. In Order To Serve The Needs Of The Nordstrom Family, Nordstrom**
 17 **Is Required To Operate A Bloated And Costly Flight Department**
 18 **That Vastly Exceeds The Company’s Own Aviation Needs**

19 61. As a result of the decision in 2007 to assume virtually full responsibility for the
 20 aviation needs of the Nordstrom Family, Nordstrom now operates a vast and costly Flight
 21 Department that far exceeds the Company’s own aviation requirements.

22 62. To provide some background, Nordstrom owns and operates two aircraft, with
 23 the tail numbers N224N and N228N. N224N is a 2006 Bombardier Inc. CL-600-2B16
 24 (Challenger 600-series), with a 22-seat capacity. N228N is a 2005 Bombardier Inc. BD-100-
 25 1A10 (Challenger 300-series), with an 8-seat capacity. These two planes are referred to
 26 hereinafter as the “Company Aircraft.”

63. Nordstrom also leases the two planes owned by JBW, bearing the tail numbers N225N and N229N, under a “dry lease” with JBW. Under the dry lease, Nordstrom uses the planes when they are not being used by their owners (members of the Nordstrom family). During Fiscal Years 2011, 2012 and 2013 (the fiscal years beginning January 30, 2011, January 29, 2012 and February 3, 2013), the Company used the two JBW planes for 56, 71 and 76 hours, respectively.

64. In total, for Fiscal Years 2011, 2012 and 2013, the number of hours flown for Nordstrom’s corporate purposes on the Company Aircraft and the two JBW planes were [REDACTED]

65. A company which owns and operates two aircraft and which flies an average of [REDACTED] annually would typically employ 3-4 pilots at most. However, that is not the case at Nordstrom. Even though Nordstrom owns just the two planes N224N and N228N, Nordstrom employs [REDACTED] pilots, an astonishing number for a fashion retail company. In addition, Nordstrom maintains a large number of ground crew and maintenance staff that exceeds the needs of a company that owns just two planes.

66. The reason why Nordstrom maintains such a large staff is that Nordstrom has agreed to provide management, maintenance, pilot and other services for *eight* additional planes owned by members of the extended Nordstrom family (collectively, the “Nordstrom Family Aircraft”), specifically:

- N225N and N229N. These are the two JBW planes. N225N is a Bombardier Inc. CL-600-2B16 (Challenger 600-series) with 22-seat capacity, identical to the Company’s N224N. N229N is a 2007 Cessna 560 with 11-seat capacity. When the planes are not in use under the dry lease with the Company, the Nordstrom family flies on these two planes, and uses the Flight Department’s employees to maintain, fly and operate these planes. According to flight records, the Nordstrom family and their friends flew for a total of [REDACTED]

1 [REDACTED] on these two planes during Fiscal Years 2011 to 2013,
2 respectively;

- 3 • N226N, a 2008 Pilatus PC-12, 11-seat plane registered to Defendant JD
- 4 Plane, which is owned by James F. Nordstrom Jr. and Daniel Nordstrom;
- 5 • N227N, a Dehavilland DHC2 MK III, 11-seat float plane registered to
- 6 Defendant TB Plane, which is owned by Sally A. Nordstrom;
- 7 • [REDACTED]
- 8 [REDACTED];
- 9 • N247N, a 2001 Pilatus PC-12/45, 12-seat plane registered to Defendant
- 10 247N, LLC, which is owned by Blake Nordstrom and Chris Hughes; and
- 11 • N249N, a Dehavilland Beaver DHC-2 MK III, 8-seat float plane registered to
- 12 Defendant M&B Beaver, which is owned by Blake Nordstrom and his wife.

13 67. These are just the Nordstrom Family Aircraft that Nordstrom currently services.
14 In the past, Nordstrom has provided services for other aircraft owned by Nordstrom family
15 members. Also, these are only the planes disclosed in the Company's proxy statements. Upon
16 information and belief, Nordstrom's Flight Department maintains and flies additional planes for
17 other related parties that Nordstrom has not disclosed because the amounts of the transactions
18 fall below the \$120,000 threshold under Item 404(a) of SEC Regulation S-K.

19 68. In order to serve these seven additional aircraft (and possibly more), Nordstrom's
20 Flight Department devotes a significant proportion of its resources to attending to the needs of
21 the Nordstrom family. During Fiscal Years 2011 to 2013, Nordstrom's twelve pilots devoted an
22 average total of [REDACTED] of their flying hours to flying the Nordstrom Family Aircraft, with the
23 percentage reaching as high as [REDACTED] in Fiscal Year 2011. Similarly, maintenance invoices
24 issued by the Company to the Nordstrom family show that, since the start of Fiscal Year 2011,
25 Nordstrom employees have spent thousands of hours providing maintenance services for the
26

Nordstrom Family Aircraft, accounting for approximately [REDACTED] of their employed time. This is summarized in the table below:

PILOT HOURS				
Fiscal Year	2011	2012	2013	Total
Company	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Nordstrom Family	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<i>Nordstrom Family % of Total</i>	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total Pilot Hours	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
MAINTENANCE HOURS				
Fiscal Year	2011	2012	2013	Total
Company Maintenance*	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Nordstrom Family Maintenance	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<i>Nordstrom Family % of Total</i>	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total Maintenance Hours	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

*The Company did not provide the number of maintenance hours spent on the two Company Aircraft N224N and N228N. However, N224N is identical to the JBW plane N225N, and both started operation at the same time. Also, Company Aircraft N228N is of approximately the same year of manufacture and seat capacity as N229N. Accordingly, the number of maintenance hours for N224N and N228N were estimated based on the hours spent maintaining N225N and N229N.

69. The above percentages in fact under-account for the actual number of Nordstrom-employee hours devoted to serving the needs of the Nordstrom family. That is because Nordstrom distorts its invoice calculations to favor the Nordstrom family members.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

1 [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED]

5 70. Apart from the amount of time expended by the Flight Department on serving
6 the needs of the Nordstrom Family, Nordstrom also supplies the Nordstrom family with the land
7 from which to operate the Nordstrom Family Aircraft. Nordstrom leases a parcel of land from
8 King County, Washington at the King County International Airport and operates its Flight
9 Department from that location. However, as with the size of the Flight Department, the amount
10 of land leased by Nordstrom far exceeds the needs of the Company itself.

11 71. In the 2014 Proxy, Nordstrom admits that “[t]he size of the Company’s flight
12 department is such that the Company does not require access to or use of the entire parcel.”
13 Instead, Nordstrom subleases a portion of the property to Defendant Hangar Three, which is
14 owned by Blake Nordstrom, James F. Nordstrom, Jr. and John N. Nordstrom. Hangar Three
15 has even constructed a hangar to store its owners’ personal aircraft on the subleased property.

16 72. In this manner, and under the Board’s watch, the Nordstrom family has
17 deliberately blurred the lines between the Company and the Nordstrom family, allowing the
18 family to convert the Company’s Flight Department into their own personal, on-call concierge
19 service.

20 **D. Nordstrom Has Failed To Recoup The Full Costs Of The Flight**
21 **Department From The Nordstrom Family And Other Related Parties**

22 73. The arrangements by which the Company provides the above aviation-related
23 services to the Nordstrom family are extremely favorable to the family. As Plaintiff and her
24 counsel have uncovered from their investigation, even though the Flight Department expends a
25 large proportion of its employee hours serving the needs of the Nordstrom family, the
26 Nordstrom family pays just a fraction of the costs of the Flight Department.

74. According to expense summaries included in Nordstrom's Production, the costs of the Flight Department in Fiscal Years 2011 to 2013, and the amounts of reimbursement obtained from the Nordstrom family, were as follows:

Flight Department Costs	Fiscal 2011 (beginning 1/30/2011)	Fiscal 2012 (beginning 1/29/2012)	Fiscal 2013 (beginning 2/3/2013)
Labor			
Benefits - retirement (7%)			
Insurance (health, etc.) (5%)			
FICA (7.65%)			
Training			
Professional Services			
Supplies			
Travel			
Other			
Total Costs			
<i>Related Party Reimbursement - (Labor)</i>			
<i>Related Party Reimbursement - (Airport Lease & Misc)</i>			
Total Related Party Reimbursement			
Reimbursement (% of Total Flight Department Costs)			

75. As can be seen from the table above, the Nordstrom family pays the Company on average [REDACTED] of the costs of operating the Flight Department, although they use approximately [REDACTED] of the Flight Department's pilot time, and approximately [REDACTED] of maintenance staff time. [REDACTED]

76. In fact, the true percentage of the Flight Department's costs paid by the Nordstrom family is even less than the figures shown above, because Nordstrom refused to provide many other additional costs associated with operating the Flight Department.

1 77. The expense summaries provided by Nordstrom do not include many “soft” costs
 2 in the form of ancillary expenses that are directly necessitated by Nordstrom’s decision to
 3 service, operate and maintain the Nordstrom Family Aircraft. For example, as evident from
 4 Nordstrom’s Production to Plaintiff, staff from other Nordstrom departments, including the
 5 Corporate Accounting and Tax Departments, spend numerous hours maintaining detailed books
 6 and records to track all the transactions with the Nordstrom family so that the Company can
 7 issue invoices to the Nordstrom family and remit the correct amount of sales tax to the tax
 8 authorities. In addition, Nordstrom has to expend significant sums annually in the form of legal
 9 and other professional fees in order to track the numerous related party transactions and to
 10 prepare proxy statements that disclose and discuss these transactions. These expenses are all
 11 taken at the corporate level, and are not allocated to the Flight Department. As a result,
 12 Nordstrom has never passed these extensive ancillary expenses on to the Nordstrom family.

13 78. Also, the expense summaries do not include the other hidden costs of operating
 14 an aviation services-for-hire business. For example, a company like Nordstrom which hires out
 15 its pilots to fly aircraft owned by other persons, and which provides maintenance and other
 16 services for aircraft owned by other persons, incurs considerable risk of liability from running
 17 such an operation. The company would have to obtain, at the very least, comprehensive
 18 aviation liability insurance and passenger liability insurance to insure against losses from
 19 damage to property or persons caused by the company’s aviation operations. Nordstrom,
 20 however, declined to disclose the costs of this insurance.

21 79. Furthermore, in the expense summaries, Nordstrom declined to provide obvious
 22 overhead costs such as building depreciation and other fixed costs associated with conducting
 23 the operations of its Flight Department at the King County International Airport.

24 80. [REDACTED]
 25 [REDACTED]
 26 [REDACTED]

[REDACTED]

[REDACTED]

81. [REDACTED]

[REDACTED]

82. In short, by agreeing to manage, fly and service the Nordstrom family's personal aircraft fleet, Nordstrom has secretly diverted millions of dollars in hidden subsidies to the Nordstrom family.

E. Defendants Have Consciously Disregarded Their Duty To Review The Costs To Nordstrom Of The Related Party Transactions, And Have Issued Misleading Proxy Statements To Shareholders Claiming That The Board Considered These Costs

83. In explaining the decision in 2007 to assume responsibility for virtually all of the Nordstrom family's aviation needs, Nordstrom stated in the 2008 Proxy: "*In each case, these payments exceeded the estimated cost to the Company of providing those services* and were based on an estimate of their fair value after conducting a survey of similar services and rates available from independent third parties. These rates were last updated in January 2006 based

1 upon an updated survey of rates for maintenance services, pilot services, management fees and
2 hangar rent available from independent third parties.” (emphasis added). In every fiscal year
3 since 2008, Nordstrom has defended its related party transactions with the Nordstrom family by
4 repeating substantially the same statements.

5 84. Contrary to the Company’s proxy statements, however, Nordstrom has *never*
6 *performed any cost analysis*, and therefore never had any basis to conclude that the payments
7 from the Nordstrom family exceeded the “estimated costs” to the Company. The minutes of the
8 meetings of the Governance Committee tasked with reviewing the related party transactions
9 clearly show that the Governance Committee never performed a cost analysis. [REDACTED]

10 [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 [REDACTED]

20 85. [REDACTED]
21 [REDACTED]
22 [REDACTED]
23 [REDACTED]
24 [REDACTED]

25 As such, year after year, the Governance Committee simply rubber-stamped the related party
26 transactions with the Nordstrom family.

86. By representing to shareholders in the proxy statements that the “payments [received from the Nordstrom family] exceeded the estimated cost to the Company of providing those services,” the Board and the Governance Committee came under a *duty* to estimate those costs. Separately, the Governance Committee came under a duty to review the costs because, between 2009 and 2013, the Governance Committee was authorized to approve a related party transaction only if the committee determined “that the transaction [would] result in a *net benefit* to the Company and our shareholders.” (emphasis added). In order to assess whether there was a “net benefit,” the Governance Committee was required at the very least to perform a cost analysis.

87. As part of their cost analysis, the Board and the Governance Committee should have asked what proportion of the Flight Department’s resources were being diverted to serving the needs of the Nordstrom family, and whether the Nordstrom family was paying its equitable share of the costs. The Board and Governance Committee also should have informed themselves what risks were being assumed by Nordstrom in providing aviation services for hire, and whether those risks were appropriate for a Company in the fashion retail business and were being adequately compensated by the payments from the Nordstrom family.

88. Instead, the Board and its Governance Committee willfully closed their eyes and consciously disregarded their duty to inquire into the Flight Department’s costs. This is underscored by Nordstrom’s proxy statements. For the fiscal year ended January 31, 2009, Nordstrom issued a proxy statement stating that, “in the Board’s opinion, the charges [to the Nordstrom family] were fair and beneficial to the Company because the payments allowed the Company to subsidize the cost of operating the Company’s flight department.” The Board and the Governance Committee must have realized thereafter that they had never performed a cost analysis and, therefore, that there was no factual basis for this assertion because, since that proxy statement, no Nordstrom proxy statement has made that assertion. As described above, the subsidy goes entirely the other way, in favor of the Nordstrom family.

89. As such, the Board and the Governance Committee consciously disregarded their fiduciary duties. In addition, the Board and the Governance Committee breached their fiduciary duties by misleading investors that they did in fact perform a cost analysis.

F. The Approval Of The Related Party Transactions Was Further Tainted By The Governance Committee's Material Interest In Those Transactions

90. Between 2007 to 2012, the Company's proxy statements disclosed to shareholders that "[n]o member of the [Governance] Committee participates in any approval of a Related Party transaction in which the member has a material interest, other than to provide all pertinent information regarding the transaction to the Committee."

91. However, this was not true. Based on the Company's Production, Plaintiff and her counsel have uncovered that the Governance Committee approved, year after year, the related party transactions with Defendant JBW even though, in each year, a majority of the members of the Governance Committee materially benefited from the transactions with JBW.

92. [REDACTED]

93. [REDACTED]

94. Because they personally benefited materially from the transactions with JBW, which account for the largest proportion of the Company's related party transactions with the Nordstrom family, the above Board members should have recused themselves from any decisions involving JBW. Instead, they continued to rubber-stamp the related party transactions with JBW and the other Nordstrom family related parties.

1 **VI. DERIVATIVE ALLEGATIONS**

2 95. Plaintiff brings this action derivatively to redress injuries suffered by the
3 Company as a direct result of the breaches of fiduciary duty and other breaches by the
4 Defendants.

5 96. Plaintiff has owned Nordstrom stock continuously during the time of the
6 wrongful course of conduct by the Defendants alleged herein and continues to hold Nordstrom
7 stock.

8 97. Plaintiff will adequately and fairly represent the interests of Nordstrom and its
9 stockholders in enforcing and prosecuting the Company's rights.

10 **VII. DEMAND ON THE BOARD IS EXCUSED BECAUSE IT IS FUTILE**

11 98. Plaintiff has not made a demand on the Nordstrom Board to bring suit asserting
12 the claims set forth herein because pre-suit demand is excused as a matter of law under RCW
13 23B.07.400.

14 99. *First*, a majority of the Board is either interested in the transactions that are
15 challenged, or suffer from conflicts of interest and divided loyalties. The Board is therefore
16 incapable of properly considering a lawsuit with respect to the challenged transactions, and
17 demand is excused for this independent reason alone.

18 100. *Second*, in approving the related party transactions with the Nordstrom family,
19 the Board failed to adequately inform themselves and consciously disregarded their fiduciary
20 duties, and thereby failed to exercise business judgment. Accordingly, demand is excused for
21 this independent reason alone.

22 101. *Third*, in approving certain of the related party transactions, the Governance
23 Committee acted beyond its power because certain members of the Governance Committee had
24 a material interest in the transactions in question. Because it acted beyond its power, the
25 conduct of the Governance Committee is not subject to deference as an exercise of business
26 judgment, and demand is excused for that independent reason alone.

1 102. *Fourth*, because the Nordstrom family are controlling shareholders, the price and
 2 terms of the related party transactions, as well as the process by which the transactions were
 3 approved, are subject to heightened scrutiny, and the burden shifts to the related parties and the
 4 Board to demonstrate that both these aspects of the transactions were entirely fair to
 5 Nordstrom's shareholders. Because the transactions are therefore not subject to deference under
 6 the business judgment rule, demand is excused for this independent reason alone.

7 **A. There Is No Majority Of The Board Which Is Disinterested Or**
 8 **Independent**

9 103. The Nordstrom Board currently consists of the following thirteen directors:
 10 Defendants Campbell, Ebanks, Hernandez, Miller, Blake Nordstrom, Erik Nordstrom, Peter
 11 Nordstrom, Satre, Smith, Turner, Walter and Winter; and Shellye L. Archambeau, who joined
 the Board in February 2015.

12 104. Director Blake Nordstrom, a son of Bruce Nordstrom (the former Chairman of
 13 the Company) and the President of the Company, is the co-owner of the entities M&B Beaver
 14 and 247N, both of which have received aviation-related services from the Nordstrom Flight
 15 Department. Blake Nordstrom therefore is directly interested in the related party transactions
 16 and is unable to consider a demand to commence litigation challenging those transactions.

17 105. Director Erik Nordstrom, another son of Bruce Nordstrom and the Executive
 18 Vice President and the President of Nordstrom Direct, is conflicted and unable to consider a
 19 demand because many of his family members including his father, his brother Blake Nordstrom
 20 and cousins Daniel and James Nordstrom, are co-owners in entities that benefit directly from
 21 the aviation services provided by Nordstrom's Flight Department. In particular, his father
 22 Bruce Nordstrom is a co-owner of JBW, and his brother Blake Nordstrom is a co-owner of the
 23 entities M&B Beaver and 247N. All three entities are defendants which have benefited directly
 24 from the aviation services provided by Nordstrom's Flight Department. Erik Nordstrom is also
 25 conflicted because of his working relationship with his brothers and cousin James Nordstrom.
 26

1 Erik Nordstrom has been employed by Nordstrom since 1978, and has been given opportunities
2 and advancements based on his family relationships.

3 106. Director Peter Nordstrom, another son of Bruce Nordstrom and the Executive
4 Vice President and the President of Merchandising, is conflicted and unable to consider a
5 demand because many of his family members including his father, his brother Blake Nordstrom
6 and cousins Daniel and James Nordstrom, are co-owners in entities that benefit directly from
7 the aviation services provided by Nordstrom's Flight Department. In particular, his father
8 Bruce Nordstrom is a co-owner of JBW, and his brother Blake Nordstrom is a co-owner of the
9 entities M&B Beaver and 247N. All three entities are defendants which have benefited directly
10 from the aviation services provided by Nordstrom's Flight Department. Peter Nordstrom is also
11 conflicted because of his working relationship with his brothers and cousin James Nordstrom.
12 Peter Nordstrom has been employed by Nordstrom since 1979, and has been given opportunities
13 and advancements because of his family relationships.

14 107. Defendant Hernandez cannot impartially consider a demand because he is not
15 disinterested and is not independent. Hernandez personally has made extensive use of
16 Nordstrom's corporate aircraft and therefore benefits substantially from the services of the
17 current Flight Department. [REDACTED]

18 [REDACTED]
19 Hernandez therefore cannot consider a demand which directly challenges the current operations
20 of the Flight Department. [REDACTED]

21 [REDACTED]
22 Because JBW is a defendant and one of the related parties whose transactions with the
23 Company are being challenged, Hernandez cannot impartially consider litigation against JBW,
24 because he has personally benefited from and continues to benefit from the relationship with
25 JBW.
26

1 108. In addition, Hernandez has been a member of the Governance Committee since
 2 at least 2007. In that capacity, Hernandez approved the related transactions with the Nordstrom
 3 family every year since 2007. Hernandez approved the transactions even though he benefited
 4 from the related party transactions and was therefore conflicted. In conscious disregard of their
 5 duties, Hernandez and the other members of the Governance Committee failed to assess the
 6 costs to Nordstrom of effectively assuming all responsibility for maintaining, operating and
 7 flying the Nordstrom Family Aircraft. Even more egregiously, Hernandez and the other
 8 members of the Governance Committee falsely represented in every Nordstrom proxy statement
 9 since 2007 that they had in fact performed an assessment of the costs. For these reasons,
 10 Hernandez cannot impartially consider any demand because he himself is a defendant and is
 11 subject to a substantial likelihood of liability arising from this litigation.

12 109. Defendant Satre cannot impartially consider a demand because he is not
 13 disinterested and is not independent. Like Hernandez, Satre has also personally made extensive
 14 use of Nordstrom's corporate aircraft and therefore benefits substantially from the services of
 15 the current Flight Department. [REDACTED]

16 [REDACTED]
 17 Satre therefore cannot consider a demand which directly challenges the current operations of the
 18 Flight Department. [REDACTED]

19 [REDACTED] Because JBW is a
 20 defendant whose related party transactions with the Company are being challenged, Satre
 21 cannot impartially consider litigation against JBW, because he has personally benefited from
 22 and continues to benefit from the relationship with JBW.

23 110. Additionally, Satre has been a member of the Governance Committee since at
 24 least 2007, and is currently the Chair of the committee. In that capacity, Satre approved the
 25 related transactions with the Nordstrom family every year since 2007, even though Satre
 26 benefited personally from those related party transactions and was therefore conflicted. Further,

1 Satre consciously disregarded his duties by failing to assess the costs to Nordstrom of
2 effectively assuming all responsibility for maintaining, operating and flying the Nordstrom
3 Family Aircraft, and then further breached his duties by approving proxy statements that misled
4 shareholders that they had in fact assessed those costs. For these reasons, Satre cannot
5 impartially consider any demand because he himself is a defendant and is subject to a
6 substantial likelihood of liability arising from this litigation.

7 111. Defendant Winter cannot impartially consider a demand because she is not
8 disinterested and is not independent. Like Hernandez and Satre, Winter has also personally
9 made extensive use of the Nordstrom corporate aircraft and therefore benefits substantially from
10 the services of the current Flight Department. [REDACTED]

11 [REDACTED] Winter therefore cannot
12 consider a demand which directly challenges the current operations of the Flight Department.

13 [REDACTED]
14 [REDACTED] Because JBW is a defendant and one of the
15 related parties whose transactions with the Company are being challenged, Winter cannot
16 impartially consider litigation against JBW, because she has personally benefited from and
17 continues to benefit from the relationship with JBW.

18 112. Additionally, as a member of the Governance Committee since at least 2007,
19 Winter approved the related transactions with the Nordstrom family every year since 2007, even
20 though Winter benefited personally from those related party transactions and was therefore
21 conflicted. Further, Winter consciously disregarded her duties by failing to assess the costs to
22 Nordstrom of effectively assuming all responsibility for maintaining, operating and flying the
23 Nordstrom Family Aircraft, and then further breached her duties by approving proxy statements
24 that misled shareholders that they had in fact assessed those costs. For these reasons, Winter
25 cannot impartially consider any demand because she herself is a defendant and is subject to a
26 substantial likelihood of liability arising from this litigation.

1 113. Defendant Walter has been a member of the Governance Committee since at
 2 least 2011, and like Hernandez, Satre and Winter, Walter consciously disregarded his duties by
 3 failing to assess the costs to Nordstrom of effectively assuming all responsibility for
 4 maintaining, operating and flying the Nordstrom Family Aircraft, and then further breached his
 5 duties by approving proxy statements that misled shareholders that they had in fact assessed
 6 those costs. For these reasons, Walter cannot impartially consider any demand because he
 7 himself is a defendant and is subject to a substantial likelihood of liability arising from this
 8 litigation.

9 114. Defendant Campbell also cannot impartially consider a demand. Campbell
 10 became a director in 2004. From 2004 to 2009, Campbell was also the head of the Seattle
 11 Foundation where one of her primary responsibilities was fundraising. According to the Seattle
 12 Foundation's Annual Reports, numerous Nordstrom family members donated to the foundation
 13 in 2008, 2009 and 2010, including Bruce Nordstrom, Blake Nordstrom and James Nordstrom.
 14 Campbell is also heavily involved in social and philanthropic organizations in the Seattle area
 15 with Bruce Nordstrom and his wife Jeannie Nordstrom, and other Nordstrom family members.
 16 For example, in 2001, Campbell was a guest speaker for the Cancer Lifeline's Caregivers,
 17 where Jeannie Nordstrom is a board member, and Bruce and Jeannie Nordstrom are major
 18 donors. Campbell is also a donor to the Washington Woman's Foundation where Jeannie
 19 Nordstrom is a founding member of the Foundation and is an Emeritus Board Member. Given
 20 her professional and personal ties with the Nordstrom family, Campbell is unable to impartially
 21 consider a demand.

22 115. Additionally, Campbell cannot impartially consider a demand because she is
 23 directly interested. [REDACTED]

24 [REDACTED]

25 [REDACTED]

26 [REDACTED] Because JBW is a defendant and one of the

1 related parties whose transactions with the Company are being challenged, Campbell cannot
 2 impartially consider litigation against JBW, because she has personally benefited from and
 3 continues to benefit from the relationship with JBW.

4 116. Defendant Turner cannot impartially consider a demand. Turner is conflicted
 5 because of his social ties with the Nordstrom family. Turner is based in Seattle, and Turner and
 6 his wife are involved in numerous philanthropic organizations with Bruce Nordstrom's wife
 7 Jeannie Nordstrom, and his sister, Anne Gittinger. [REDACTED]

8 [REDACTED]

9 [REDACTED]

10 [REDACTED] [REDACTED]

11 [REDACTED] Because JBW is a defendant whose related party
 12 transactions with the Company are being challenged, Turner cannot impartially consider
 13 litigation against JBW, because he has personally benefited from and continues to benefit from
 14 the relationship with JBW.

15 117. Defendant Ebanks cannot impartially consider a demand. Ebanks is the
 16 President of Essence magazine, which is one of the publications in which Nordstrom advertises.

17 [REDACTED]

18 [REDACTED]

19 [REDACTED]

20 [REDACTED] Because JBW is a defendant
 21 whose related party transactions with the Company are being challenged, Ebanks cannot
 22 impartially consider litigation against JBW, because she has personally benefited from and
 23 continues to benefit from the relationship with JBW.

24 118. Apart from the above disabling conflicts of interest affecting specific Director
 25 Defendants, all the Director Defendants (to the extent not already alleged) are incapable of
 26 impartially considering a demand to commence this litigation because they themselves all face a

substantial likelihood of liability arising from this litigation. Since 2007, in violation of Section 14(a) of the Exchange Act and Rule 14a-9 promulgated thereunder, the Director Defendants have approved and disseminated proxy statements that misled shareholders that the Company had assessed the costs of providing the aviation-related services to the Nordstrom family, when in fact no such analysis had ever been performed. The Director Defendants therefore cannot be expected to bring a litigation in which they themselves face a substantial likelihood of liability.

119. For the reasons stated above, there is not a disinterested or independent majority of the Board capable of considering Plaintiff's demand.

B. The Board Failed to Act in Good Faith In Approving The Related Party Transactions And Was Not Adequately Informed

120. Demand is also independently excused because the Board failed to adequately inform themselves and consciously disregarded their fiduciary duties when evaluating and approving the related party transactions with the Nordstrom family, thereby failing to exercise any business judgment. Because they failed to exercise business judgment, the Board's decisions with respect to the related party transactions are not subject to deference, and Plaintiff is not required to first make a demand on the Board.

121. With respect to the transactions with the Nordstrom family, the Board and its Governance Committee were under a duty to inform themselves as to the real costs to the Company of providing the services to the Nordstrom family. The duty arose because the Board repeatedly told shareholders in the proxy statements that they performed such a cost analysis, and that they purportedly knew the "estimated cost to the Company of providing [the] services" to the Nordstrom family. Additionally, the duty arose because, between 2009 and 2013, the Governance Committee could approve a related party transaction only if the committee determined that the transaction would "result in a net benefit to the Company and [its] shareholders." Furthermore, according to the 2014 Proxy, when evaluating related party transactions the Governance Committee is required to evaluate "all relevant factors."

122. In conscious disregard of these duties, the Board failed to perform any cost analysis; failed to inform themselves what proportion of the Flight Department's resources were being diverted to serve the needs of the Nordstrom family; failed to examine the risks that were being assumed by Nordstrom as a result of its decision to provide aviation services for hire, and whether those risks were appropriate for the Company; and failed to evaluate whether the transactions provided a net benefit to the Company. Instead, year after year, the Board and its Governance Committee rubber-stamped the related party transactions with the Nordstrom family even though the family paid just a fraction of the true costs.

123. Accordingly, the Board and its Governance Committee consciously disregarded their duties, failed to act in good faith and failed to inform themselves about the true costs of the Flight Department. For these reasons, their decisions cannot be deemed a product of the valid exercise of business judgment and demand is excused as a matter of law.

C. The Governance Committee Exceeded Its Authority By Approving Related Party Transactions In Which The Committee's Members Had A Material Interest

124. Demand is independently excused because, in approving certain of the related party transactions, the Governance Committee exceeded its authority. The decisions of the Board and the Governance Committee with respect to these transactions are therefore not subject to deference as an exercise of business judgment, and Plaintiff is not required to first make a demand on the Board.

125. According to the Company's proxy statements during the period from 2007 to 2012, "[n]o member of the [Governance] Committee participates in any approval of a Related Party transaction in which the member has a material interest, other than to provide all pertinent information regarding the transaction to the Committee." In violation of this prohibition, the Governance Committee approved the related party transactions with JBW, even though the members of the Governance Committee had a material interest in the transactions with JBW.

126. [REDACTED]

127. As a result of their material interest in the related party transactions with JBW, the Governance Committee was not authorized to review and approve the related party transactions with JBW in Fiscal Years 2011 and 2012, and their decisions are therefore not subject to deference as an exercise of business judgment.

128. Demand is therefore independently excused on this basis alone.

D. Because The Nordstrom Family Are Controlling Shareholders, All The Related Party Transactions With The Nordstrom Family Are Subject to Heightened Review For Entire Fairness

129. The Nordstrom family collectively own at least 27% of the Company, and together are controlling shareholders of the Company. Bruce A. Nordstrom beneficially owns 13.84% of the Company; his sister Anne. E. Gittinger owns 8.16%; and his sons Blake Nordstrom, Erik Nordstrom and Peter Nordstrom collectively own another 4.82% of the Company. James F. Nordstrom, Jr., the second cousin of Blake, Erik and Peter Nordstrom, also owns approximately 573,271 shares of the Company.

130. Additionally, the Nordstrom family dominates Nordstrom's Board, with the brothers Blake, Erik and Peter Nordstrom occupying three seats. Moreover, the Nordstrom family continues to run the Company. In addition to their roles as directors, Blake Nordstrom is the President of Nordstrom. Peter Nordstrom is an Executive Vice President and the President of Merchandising. Erik Nordstrom is an Executive Vice President and the President of

1 Nordstrom Direct. James F. Nordstrom, Jr. is an Executive Vice President and the President of
2 Stores.

3 131. Because the Nordstrom family are controlling shareholders, the price and terms
4 of their dealings with the Company, as well as the process by which the transactions were
5 approved, are subject to heightened scrutiny, and the burden shifts to the Nordstrom family and
6 the Board to demonstrate that both these aspects of the related party transactions were entirely
7 fair to Nordstrom's shareholders. Because the transactions therefore are not subject to
8 deference under the business judgment rule, demand is excused for this independent reason
9 alone.

10 **VIII. CLAIMS FOR RELIEF**

11 **COUNT I**

12 **(Breach of Fiduciary Duty – Approval Of Related Party Transactions)** 13 **(Asserted Derivatively Against The Director Defendants** 14 **And Governance Committee Defendants)**

15 132. Plaintiff realleges and incorporates the foregoing paragraphs of this Complaint as
16 if fully set forth herein.

17 133. The Director Defendants and Governance Committee Defendants, as directors of
18 Nordstrom, are fiduciaries of the Company and its stockholders. As such, they owe the
19 Company the highest duties of good faith, fair dealing, due care, and loyalty. The Company's
20 Director Code of Conduct also sets forth the specific duties of Nordstrom's directors. As
21 members of the Governance Committee, the Governance Committee Defendants had additional
22 duties when approving related party transactions, as set forth in the Governance Committee's
23 Charter and in the Company's proxy statements.

24 134. When approving the related party transactions with the Nordstrom family, the
25 Director Defendants and Governance Committee Defendants breached their duty of loyalty by
26 failing to act in the face of a known duty to act and by consciously disregarding their duties.
The Director Defendants and Governance Committee Defendants were under a duty to review

the related party transactions carefully – in particular, to determine whether the costs to the Company of providing the aviation-related services to the Nordstrom family were covered by the payments from the Nordstrom family, and whether the risks being assumed by Nordstrom in operating an aviation services for-hire business were being adequately compensated by the payments from the Nordstrom family.

135. The duty arose because, by representing to shareholders in every proxy statement since 2007 that the “payments [from the Nordstrom family] exceeded the estimated cost to the Company of providing those services,” the Board implicitly represented to shareholders that they were in fact performing reviews of the costs to the Company. Also, the duty arose because, as set forth in Nordstrom’s proxy statements for the period 2009 to 2013, the Governance Committee was authorized to approve a related party transaction only if the committee determined “that the transaction [would] result in a *net benefit* to the Company and our shareholders.” (emphasis added).

136. By failing to conduct any cost analysis in any year, the Director Defendants and Governance Committee Defendants intentionally and consciously disregarded their fiduciary duty and failed to act in good faith.

137. For the same reasons, when approving the related party transactions, the Director Defendants breached their fiduciary duty by violating the Director Code of Conduct, which requires Nordstrom’s directors to “protect[] Nordstrom’s assets and ensure[] that Nordstrom’s assets are used only for legitimate business purposes,” and to “observe the highest ethical standards and act with fairness, integrity and honesty to promote an environment that encourages Nordstrom’s officers and employees to sustain and enhance Nordstrom’s reputation.”

138. Finally, in approving the related party transactions, the Director Defendants and Governance Committee Defendants breached their duty of loyalty by elevating and favoring the interests of the Nordstrom family over the interests of Nordstrom and its public stockholders.

144. The proxy statements also misled shareholders because they failed to disclose: the extent by which Nordstrom had expanded its Flight Department specifically for purposes of catering to the needs of the Nordstrom family; the amount of services provided by Nordstrom's Flight Department to the Nordstrom family, and the proportion of the Flight Department's resources consumed by the Nordstrom family; and the true costs to Nordstrom of providing all of these services, including the increased risks of liability to which Nordstrom and its shareholders were exposed.

145. The inaccuracies and omissions in each proxy statement were material to the Company and its shareholders who were requested to vote on Board recommendations to re-elect directors.

146. The Director Defendants' failure to include these material facts in the proxy statements rendered them materially false and misleading, in violation of Section 14(a) of the Exchange Act and Rule 14a-9 promulgated thereunder.

147. The materially false and misleading proxy statements were essential for the continuation of Defendants' misconduct. Disclosure of the truth would have ended shareholder support for the senior executives and Board members.

148. Accordingly, as a direct and proximate result of the materially false and misleading proxy statements, Nordstrom has suffered and continues to suffer direct and significant harm, including hidden subsidies transferred to the members of the Nordstrom family amounting to millions of dollars.

COUNT III
(Corporate Waste)
(Asserted Derivatively Against The Director Defendants
And Governance Committee Defendants)

149. Plaintiff realleges and incorporates the foregoing paragraphs of this Complaint as if fully set forth herein.

156. Despite their knowledge, the Related Party Defendants aided and abetted the Director Defendants' breaches of their fiduciary duties.

157. The Related Party Defendants knowingly participated in the breaches by causing and accepting the aviation-related services from the Company, even though these transactions disproportionately favored the Related Party Defendants at the expense of Nordstrom and its shareholders. The Related Party Defendants knew that they consumed a large proportion of the resources of the Flight Department, including at least [REDACTED] of the pilot resources of the Flight Department, and up to [REDACTED] of the time of the ground maintenance staff. Nevertheless, the Related Party Defendants continued to pay just a fraction of the costs of the Flight Department.

158. As a result of the Related Party Defendants' misconduct, the Company has suffered and continues to suffer harm.

COUNT V
(Unjust Enrichment)
(Asserted Derivatively Against The Related Party Defendants)

159. Plaintiff realleges and incorporates the foregoing paragraphs of this Complaint as if fully set forth herein.

160. The Related Party Defendants received aviation-related services from the Company whose cost vastly exceeded the payments made by the Related Party Defendants, and which services subjected the Company to increased risk of liability. In addition, the costs of these services and the payments made by the Related Party Defendants were misleadingly described in the Company's proxy statements. Furthermore, to the extent the Related Party Defendants were employees of the Company, the Related Party Defendants breached the Employee Code of Conduct.

161. Despite knowing these matters, the Related Party Defendants voluntarily accepted and retained the benefits from the Company.

162. As a direct and proximate result of the acts alleged herein, the Related Party Defendants wrongfully deprived the Company of substantial wealth and unjustly enriched themselves, and the Company has sustained, and continues to sustain, substantial harm.

163. The Related Party Defendants are liable to the Company for damages as a result of the acts alleged herein, and should be required to disgorge their unjust gains and return them to the Company.

IX. PRAYER FOR RELIEF

WHEREFORE, Plaintiff requests the following relief:

- A. An order declaring that the Director Defendants (including the Governance Committee Defendants) breached their fiduciary duties to the Company;
- B. An injunction requiring the Director Defendants (including the Governance Committee Defendants) to conduct a review and analysis of the costs of providing aviation-related services to related parties including the Nordstrom family, and to disclose in the Company's proxy statements whether these costs exceed the payments received from the Nordstrom family;
- C. An order declaring that the Related Party Defendants aided and abetted the Director Defendants' breaches;
- D. An order awarding damages, together with pre- and post-judgment interest to the Company;
- E. An Order requiring Nordstrom to pay Plaintiff's costs, including reasonable attorneys' fees, incurred in the prosecution of this action; and
- F. Such other and further relief as this Court deems just and proper.

1 Dated: March 12, 2015

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3 STRITMATTER KESSLER WHELAN

4 s/ Brad J. Moore
5 BRAD J. MOORE, WSBA #21802
6 200 Second Avenue West
7 Seattle, WA 98119
8 Tel: (206) 448-1777
9 Fax: (206) 728-2131

10 HUNG G. TA, ESQ. PLLC
11 Hung G. Ta, Esq., *pro hac vice* pending
12 JooYun Kim, Esq., *pro hac vice* pending
13 Natalia D. Williams, Esq., *pro hac vice*
14 pending
15 250 Park Avenue, 7th Floor
16 New York, New York 10177
17 Tel: (646) 453-7290
18 Fax: (646) 453-7289

19 MORGAN & MORGAN P.C.
20 Peter Safirstein, Esq., *pro hac vice* pending
21 Roger Sachar, Esq., *pro hac vice* pending
22 28 West 44th Street
23 New York, New York 10036
24 Tel: (212) 564-1637
25 Fax: (212) 564-1807

26 KYROS LAW OFFICES
Konstantine W. Kyros, Esq., *pro hac vice*
pending
17 Miles Road
Hingham, MA 02043

Attorneys for Plaintiff

VERIFICATION OF JUDITH BURBRINK
IN SUPPORT OF VERIFIED SHAREHOLDER DERIVATIVE COMPLAINT

STATE OF WASHINGTON)
) ss.
KING COUNTY)


I, JUDITH BURBRINK, being duly sworn, state as follows:

1. I have read the foregoing Verified Shareholder Derivative Complaint (“Complaint”) and consulted with counsel.

2. I have continuously held Nordstrom common stock during all relevant times alleged in the Complaint.

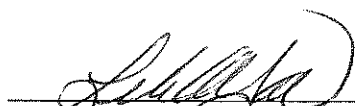
3. The factual statements contained in the Complaint are true to the best of my knowledge, information and belief.

4. I make this Verification subject to the penalty of perjury under the laws of the State of Washington.


JUDITH BURBRINK

Sworn to and subscribed before me on:

March 10, 2015



NOTARY PUBLIC
STATE OF WASHINGTON

